

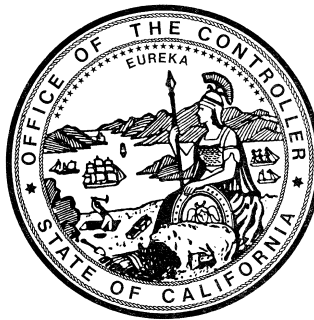
ANAHEIM CITY SCHOOL DISTRICT

Audit Report

HABITUAL TRUANT PROGRAM

Chapter 1184, Statutes of 1975; Chapter 1010,
Statutes of 1976; and Chapter 1023, Statutes of 1994

July 1, 2000, through June 30, 2003



STEVE WESTLY
California State Controller

September 2006



STEVE WESTLY
California State Controller

September 27, 2006

Sandra Barry, Superintendent
Anaheim City School District
1001 South East Street
Anaheim, CA 92805

Dear Ms. Barry:

The State Controller's Office audited the costs claimed by the Anaheim City School District for the legislatively mandated Habitual Truant Program (Chapter 1184, Statutes of 1975; Chapter 1010, Statutes of 1976; and Chapter 1023, Statutes of 1994) for the period of July 1, 2000, through June 30, 2003.

The district claimed \$312,197 for the mandated program. Our audit disclosed that the entire amount is unallowable, because the district claimed ineligible and unsupported costs. The State paid the district \$312,197, which the district should return.

If the district subsequently provides corroborating evidence to support the time it takes to perform individual reimbursable activities and the number of activities performed, we will revise the final report as appropriate.

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (COSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at COSM's Web site, at www.csm.ca.gov (Guidebook link); you may obtain IRC forms by telephone, at (916) 323-3562, or by e-mail, at csminfo@csm.ca.gov.

If you have any questions, please contact Jim L. Spano, Chief, Compliance Audits Bureau, at (916) 323-5849.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/ams:vb

cc: Carol Berg, Ed.D., Deputy Superintendent
Administrative Services
Anaheim City School District
Phyllis Reed, Director
Pupil Services
Anaheim City School District
William M. Habermehl
County Superintendent of Schools
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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the Anaheim City School District for the legislatively mandated Habitual Truant Program (Chapter 1184, Statutes of 1975, Chapter 1010, Statutes of 1976, and Chapter 1023, Statutes of 1994) for the period of July 1, 2000, through June 30, 2003. The last day of fieldwork was July 28, 2005.

The district claimed \$312,197 for the mandated program. Our audit disclosed that the entire amount is unallowable, because the district claimed ineligible and unsupported costs. The State paid the district \$312,197. The district should return the total amount to the State.

Background

Chapter 1184, Statutes of 1975; Chapter 1010, Statutes of 1976; and Chapter 1023, Statutes of 1994, added *Education Code* Sections 12403, 48262, and 48264.5. The law defines "habitual truant" and states that no pupil shall be deemed as a habitual truant unless the school district makes a "conscientious effort" to hold at least one conference with the pupil's parent or guardian and the pupil. It also requires school districts to classify a pupil as a habitual truant as defined in *Education Code* Section 48262 upon the pupil's fourth truancy within the same school year.

On September 25, 1997, the Commission on State Mandates (COSM) determined that the above legislation imposed a state mandate reimbursable under Government Code Section 17561.

Parameters and Guidelines establishes the state mandate and defines reimbursement criteria. COSM adopted the Parameters and Guidelines on January 29, 1998. In compliance with *Government Code* Section 17558, the SCO issues claiming instructions for mandated programs, to assist local agencies and school districts in claiming reimbursable costs.

Objective, Scope, and Methodology

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Habitual Truant Program for the period of July 1, 2000, through June 30, 2003.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted the audit according to *Government Auditing Standards*, issued by the Comptroller General of the United States, and under the authority of *Government Code* Sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We limited our audit scope to planning and performing audit procedures necessary to obtain reasonable assurance that costs claimed were allowable for reimbursement. Accordingly, we examined transactions, on a test basis, to determine whether the costs claimed were supported.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

Conclusion

Our audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, the Anaheim City School District claimed \$312,197 for costs of the Habitual Truant Program. Our audit disclosed that the entire amount is unallowable.

If the district subsequently provides corroborating evidence to support the time it takes to perform individual reimbursable activities and the number of activities performed, we will revise the final report as appropriate.

For fiscal year (FY) 2000-01, the State paid the district \$129,933. Our audit disclosed that none of the costs claimed is allowable. The district should return the total amount to the State.

For FY 2001-02, the State paid the district \$99,439. Our audit disclosed that none of the costs claimed is allowable. The district should return the total amount to the State.

For FY 2002-03, the State paid the district \$82,825. Our audit disclosed that none of the costs claimed are allowable. The district should return the total amount to the State.

Views of Responsible Officials

We issued a draft audit report on May 5, 2006. Dr. Carol Berg, Deputy Superintendent, responded by letter dated May 26, 2006 (Attachment), disagreeing with the audit results. This final audit report includes the district's response.

Restricted Use

This report is solely for the information and use of the Anaheim City School District, the Orange County Office of Education, the California Department of Education, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

Schedule 1— Summary of Program Costs July 1, 2000, through June 30, 2003

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2000, through June 30, 2001</u>				
Salaries and benefits	\$ 119,423	\$ —	\$ (119,423)	Finding 1
Materials and supplies	1	—	(1)	Finding 2
Total direct costs	119,424	—	(119,424)	
Indirect costs	10,509	—	(10,509)	Findings 1, 2
Total direct and indirect costs	129,933	—	(129,933)	
Less offsetting savings/reimbursements	—	—	—	
Total program costs	<u>\$ 129,933</u>	—	<u>\$ (129,933)</u>	
Less amount paid by the State		(129,933)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (129,933)</u>		
<u>July 1, 2001, through June 30, 2002</u>				
Salaries and benefits	\$ 91,216	\$ —	\$ (91,216)	Finding 1
Materials and supplies	38	—	(38)	Finding 2
Total direct costs	91,254	—	(91,254)	
Indirect costs	8,185	—	(8,185)	Findings 1, 2
Total direct and indirect costs	99,439	—	(99,439)	
Less offsetting savings/reimbursements	—	—	—	
Total program costs	<u>\$ 99,439</u>	—	<u>\$ (99,439)</u>	
Less amount paid by the State		(99,439)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (99,439)</u>		
<u>July 1, 2002, through June 30, 2003</u>				
Salaries and benefits	\$ 79,167	\$ —	\$ (79,167)	Finding 1
Materials and supplies	—	—	—	Finding 2
Total direct costs	79,167	—	(79,167)	
Indirect costs	3,658	—	(3,658)	Findings 1, 2
Total direct and indirect costs	82,825	—	(82,825)	
Less offsetting savings/reimbursements	—	—	—	
Total program costs	<u>\$ 82,825</u>	—	<u>\$ (82,825)</u>	
Less amount paid by the State		82,825		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (82,825)</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>Summary: July 1, 2000, through June 30, 2003</u>				
Salaries and benefits	\$ 289,806	\$ —	\$ (289,806)	Finding 1
Materials and supplies	39	—	(39)	Finding 2
Total direct costs	289,845	—	(289,845)	
Indirect costs	22,352	—	(22,352)	Findings 1, 2
Total direct and indirect costs	312,197	—	(312,197)	
Less offsetting savings/reimbursements	—	—	—	
Total program costs	<u>\$ 312,197</u>	—	<u>\$ (312,197)</u>	
Less amount paid by the State		(312,197)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (312,197)</u>		

¹ See the Findings and Recommendations section.

Findings and Recommendations

FINDING 1— Unallowable salaries and benefits costs

The district overstated employee salaries and benefits by \$289,806 during the audit period. The related indirect costs, based on claimed indirect cost rates, total \$22,349.

The district asserted that community liaisons performed the mandate-related activities and provided time logs and pupil attendance reports to support its claims. Our review of the time logs and attendance reports, and our inquiries with community liaisons, revealed that the time logs were based on estimates. These estimates were either based on an average time per occurrence for a specific task or the amount of time spent monthly or per day to complete certain tasks. Declarations of estimated time do not constitute adequate documentation in support of claimed salaries and benefits. The district did not provide any corroborating evidence to support the time estimates contained in the time logs.

For employee salaries and benefits, *Parameters and Guidelines* requires the claimant to:

Identify the employee(s) and the corresponding job classification(s), describe the mandated functions performed, and specify the actual number of hours devoted to each function, the productive hourly rate, and the related benefits. The average number of hours devoted to each function may be claimed if supported by a documented time study.

Paul Burkart, Deputy Superintendent of Administrative Services, stated that the district did not have a process by which to reclassify a student as a habitual truant. We reviewed all time logs provided by the district's 17 community liaisons. Since all of the time logs were prepared in essentially the same manner, we also interviewed three community liaisons (representing 6 of 23 school sites) to determine how time estimates were derived. The interviews revealed that the time estimates were for activities unrelated to the mandate as follows.

- Verifying Prior Truancies

The district submitted time logs for \$84,543 in costs incurred by community liaisons to verify the reasons for student absences. Verifying reasons for student absences is not a mandate-related activity. Reimbursable activity is limited to review of school district records to ensure that the pupil is an habitual truant.

Parameters and Guidelines states that review of school district records to verify that the pupil has been reported as a truant at least four times during the same school year is a reimbursable activity.

- Making a Conscientious Effort to Schedule a Parent Conference

The district submitted time logs for \$112,114 in costs incurred by community liaisons to send out truancy notification letters and to make telephone calls to verify reasons for student absences. The

purpose of the letters and telephone calls was to verify the reasons for student absences and not to invite the parent and student to a habitual-truant conference with a district official.

Parameters and Guidelines states that the following activities are reimbursable:

Make a conscientious effort to schedule a conference with the pupil's parent or guardian, the pupil and an appropriate school district employee, by:

1. Sending notice (by certified mail, if necessary) to the pupil's parent or guardian inviting the parent or guardian and the pupil to attend a conference with an appropriate school district employee; and
2. Making a final effort to schedule a conference by placing a telephone call to the parent/guardian, and by placing return calls to the parent/guardian.

- Scheduling and Holding a Conference

The district submitted time logs for \$85,385 (\$21,991 for community liaisons and \$63,394 for Student Attendance Review Board [SARB]) in costs incurred to schedule and hold parent conferences.

Costs claimed for community liaisons consisted primarily of estimated time recorded on log sheets spent verifying absences over the telephone. The district did not provide records to substantiate that habitual-truancy conferences actually took place or to show who attended such conferences. In a few instances, the log sheets were traceable to home visits reported on a Summary of Truancy Problem Report. According to these reports, the purpose of the home visits was to verify absences or obtain proof of immunizations rather than to conduct habitual-truancy conferences with the pupil's parents or guardian.

SARB costs claimed related to time district staff spent at formal SARB meetings. SARB meetings occur when a minor pupil is a habitual truant, is irregular in attendance at school, or is habitually insubordinate or disorderly during attendance at school. Principals, vice principals, community liaisons, counselors, nurses, and law enforcement officers often attended these meetings as representatives of the district. The district provided no documentation showing that the SARB meetings were for mandate-related activities. Furthermore, the SARB process occurs subsequent to the activities reimbursable under the mandate.

Parameters and Guidelines states that scheduling and holding a conference is a reimbursable activity if a conscientious effort results in the parent's or guardian's agreement to confer, schedule, and hold a conference.

- Reclassifying Pupils

The district submitted time logs to support \$7,764 claimed for reclassifying pupils as habitual truants. However, the district did not provide any evidence that pupils were reclassified or that the district has policies and procedures for reclassifying pupils as habitual truants.

Parameters and Guidelines states that reclassifying a pupil is a reimbursable activity if the district reclassifies the pupil as a habitual truant after it has made a conscientious effort to schedule a conference (whether or not this effort resulted in a conference).

As a result, the entire claimed costs are unallowable as follows.

	Fiscal Year			Total
	2000-01	2001-02	2002-03	
Verifying prior truancies	\$ (27,608)	\$ (23,311)	\$ (33,624)	\$ (84,543)
Making a conscientious effort to schedule a parent conference	(47,712)	(34,677)	(29,725)	(112,114)
Scheduling and holding a conference	(44,054)	(28,843)	(12,488)	(85,385)
Reclassifying pupils	(49)	(4,385)	(3,330)	(7,764)
Total direct costs	(119,423)	(91,216)	(79,167)	(289,806)
Indirect costs	(10,509)	(8,182)	(3,658)	(22,349)
Total audit adjustment	<u>\$ (129,932)</u>	<u>\$ (99,398)</u>	<u>\$ (82,825)</u>	<u>\$ (312,155)</u>

Recommendation

We recommend that the district develop and implement an adequate accounting and reporting system to ensure that all claimed costs are adequately supported and reimbursable under the mandated program.

District's Response

This new interpretation of acceptable documentation on claims filed more than five years ago is one of the sources of frustration experienced by many in the school community. The indirect cost rates that total \$22,349 should be reinstated since the method of documentation submitted on the time logs has been acceptable documentation until this audit.

Verifying Prior Truancies

We dispute the deduction of \$84,543 for costs claimed to verify student truancies. We understand that claiming the time to verify student absences is not a reimbursable mandate; however, the time claimed to review the records is reimbursable. No less than 50 percent of the time claimed was used to review records. As a result, \$42,272 should be allowed as claimed.

Making a Conscientious Effort to Schedule a Parent Conference

The District submitted time logs for \$112,114 in costs incurred to send out truancy notification letters for the purpose of establishing a need to meet with the pupil's parent and to make telephone calls or home visits to verify absences. After the number of unexcused absences is verified

during home visits, the Attendance Liaisons also conference with the parent regarding the truancy problem. While the District acknowledges that claims for time to verify student absences is not a reimbursable mandate, we believe that it is appropriate to claim the letters that notified parents that their student was habitual truant and that a parent meeting was needed. Though the term “habitual truant” is not used in the letter, Education Code 48260 is quoted, and it is that the student’s unexcused absences exceed three unexcused or three or more unexcused tardies of 30 minutes or more. We believe that no less than one-third of the time was spent on parent notification, meeting arrangements, and in-home conferences. We, therefore, believe that at a minimum \$37,371 should be credited toward the reimbursement.

Scheduling and Holding a Conference

\$21,991 was claimed for the Attendance Liaisons to hold conferences. The auditors challenged the veracity of the staff. The auditor’s challenge is based on the auditor’s independent interpretation of the district’s report titled “Summary of Truancy Problem Report” and what it does and does not include. We dispute this interpretation and believe that the dollars for this portion of the reimbursement claim should be reinstated.

Reclassifying Pupils

Our past experience validates that the time logs submitted to reclassify students have been acceptable documentation. We dispute the new interpretation imposed by this auditor on time logs as acceptable documentation. The \$7,764 claimed should be reinstated.

As a result the following claimed costs should be allowed:

Indirect Costs	\$ 22,349
Verifying Truancies	\$ 42,272
Hold a Parent Conference	\$ 37,371
Reclassifying Pupils	<u>\$ 7,764</u>
Total credit to ACSD for the above	\$ 109,756

SCO’s Comment

The finding remains unchanged.

The district is responsible for providing documentation supporting actual costs claimed. In lieu of actual time documentation, we allow time studies to support activities that are task-repetitive. The district did not provide corroborating evidence to support that the time estimates were valid and were applied to reimbursable activities.

Following are our comments to the district’s responses for each reimbursable activity.

- Verifying Prior Truancies

We concur with the district that the time spent reviewing district records to verify reasons for absences is not reimbursable. The district did not provide any support related to identifying students who are habitually truant for purposes of making a conscientious effort to schedule a parent conference, and to schedule and hold a conference. Absent of supportive documentation, we are unable to allow 50% of claimed costs.

- Making a Conscientious Effort to Schedule a Parent Conference

We concur with the district that claimed costs related to phone calls made to verify reasons for student absences are not reimbursable.

We also concur with the district that claimed costs for a letter notifying a parent or guardian that their child was habitually truant and that a meeting was needed with the parent or guardian and student are reimbursable. However, the district claimed costs of initial truancy notification letters submitted to parents or guardians that are not reimbursable under this mandate. The letters we reviewed did not invite a parent or guardian and the habitually truant student to attend a conference with appropriate district personnel. An initial truancy notification letter is required to be submitted upon the student being considered truant (a total of three unexcused absences or tardies of 30 minutes or more). A student is habitually truant upon the fourth truancy (a total of six unexcused absences or tardies of 30 minutes or more). Without documentation, we are unable to allow 30% of claimed costs.

- Scheduling and Holding a Conference

Of the \$85,385 in audit finding, \$63,394 (rather than \$85,385) related to SARB-related costs and \$21,991 related to community liaisons costs.

We concur with the district that SARB-related costs are not reimbursable.

The district is mistaken when it states that we challenged the veracity of the staff when we determined that community liaisons costs were not reimbursable. All of the time logs were prepared in essentially the same manner. Consequently, we based our finding on interviews of three community liaisons, who stated that costs claimed consisted primarily of estimated time spent on the telephone verifying student absences that was subsequently recorded on log sheets. As noted in the finding, in a few instances, we were able to trace the log sheets to home visits reported on the "Summary of Truancy Problem Report." These reports stated that the purpose of the home visit was to verify absences or to obtain proof of immunization. These are not reimbursable activities. Only habitual-truancy conferences with the student's parent or guardian and the student are reimbursable. The district provided no supporting documentation showing that it held habitual-truancy conferences.

- Reclassifying Pupils

The district did not provide any documentation showing what activity it performed to reclassify a student as an habitual truant. Therefore, time reported on logs was not allowed.

**FINDING 2—
Materials and supplies
costs**

The district claimed unallowable materials and supplies costs totaling \$39 (\$1 for fiscal year (FY) 2000-01 and \$38 for FY 2001-02). For FY 2001-02, the related indirect cost is \$3. The costs related to activities claimed in Finding 1 that were either ineligible or unsupported.

Parameters and Guidelines states that only expenditures that can be identified as direct costs of this mandate may be claimed.

Recommendation

We recommend that the district develop and implement an adequate accounting and reporting system to ensure that all claimed costs are adequately supported and reimbursable under the mandate program.

District's Response

We dispute the finding that the \$39.00 claimed for materials and supplies was inappropriate. The identification of habitually truant students in grades 1-6 requires both materials and supplies.

SCO's Comment

The finding remains unchanged.

As stated above, the claimed costs were unallowable because the program-related costs identified in Finding 1 were determined to be either ineligible or unsupported.

**Attachment—
District's Response to
Draft Audit Report**

ANAHEIM CITY SCHOOL DISTRICT

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BOARD OF EDUCATION

Sandy Blumberg • Barbara Gonzalez • Susan Preus • Jerry Silverman • James Vanderbilt-Linares

SUPERINTENDENT

Sandra Barry

WEB SITE

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May 26, 2006

Mr. Jim L. Spano, Chief
Compliance Audits Bureau
State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, California 94250-5874

Dear Mr. Spano:

This letter is in response to the draft Audit Report of the Habitual Truant Program received by the Anaheim City School District on May 18, 2006. The comments that follow are in response to the Findings and Recommendations as stated in the draft report.

Finding 1

We dispute the assertion made by the auditor that time logs based on average times and/or estimates "do not constitute adequate documentation". For the past 25 years the time logs have been accepted by the State Controller's Office without question. This new interpretation of acceptable documentation on claims filed more than five years ago is one of the sources of frustration experienced by many in the school community. The indirect cost rates that total \$22,349 should be reinstated since the method of documentation submitted on the time logs has been acceptable documentation until this audit.

Verifying Prior Truancies

We dispute the deduction of \$84,543 for costs claimed to verify student truancies. We understand that claiming the time to verify student absences is not a reimbursable mandate; however, the time claimed to review the records is reimbursable. No less than 50 percent of the time claimed was used to review records. As a result, \$42,272 should be allowed as claimed.

Making a Conscientious Effort to Schedule a Parent Conference

The District submitted time logs for \$112,114 in costs incurred to send out truancy notification letters for the purpose of establishing a need to meet with the pupil's parent and to make telephone calls or home visits to verify absences. After the number of unexcused absences is verified during home visits, the Attendance Liaisons also conference with the parent regarding the truancy problem. While the District acknowledges that claims for time to verify student absences is not a reimbursable mandate, we believe that it is appropriate to claim the letters that notified parents that their student was a habitual truant and that a parent meeting was needed. Though the term "habitual truant" is not used in the letter, Education Code 48260 is quoted, and

it is clear that the student's unexcused absences exceed three unexcused or three or more unexcused tardies of 30 minutes or more. We believe that no less than one-third of the time was spent on parent notification, meeting arrangements, and in-home conferences. We, therefore, believe that at a minimum \$37,371 should be credited toward the reimbursement.

Scheduling and Holding a Conference

\$21,991 was claimed for the Attendance Liaisons to hold conferences. The auditors challenged the veracity of the staff. The auditor's challenge is based on the auditor's independent interpretation of the district's report titled "Summary of Truancy Problem Report" and what it does and does not include. We dispute this interpretation and believe that the dollars for this portion of the reimbursement claim should be reinstated.

We understand that the dollars claimed for the SARB hearings (\$85,385) are not appropriate under the reimbursable mandate.

Reclassifying Pupils

Our past experience validates that the time logs submitted to reclassify students have been acceptable documentation. We dispute the new interpretation imposed by this auditor on time logs as acceptable documentation. The \$7,764 claimed should be reinstated.

As a result the following claimed costs should be allowed:

Indirect Costs	\$ 22,349
Verifying Truancies	\$ 42,272
Hold a Parent Conference	\$ 37,371
Reclassifying Pupils	<u>\$ 7,764</u>
Total credit to ACSD for the above	\$109,756

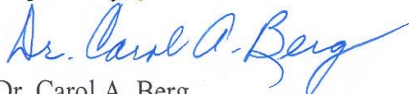
Finding 2

We dispute the finding that the \$39.00 claimed for materials and supplies was inappropriate. The identification of habitually truant students in grades 1-6 requires both materials and supplies.

In Summary

We dispute the denial of the entire claim by the auditor and request that the District be given claim credit for the amount stated above for Finding 1 plus the \$39.00 for materials and supplies denied in Finding 2 for a total of \$109,795. Since the district was awarded \$205,299 on the estimated claims the amount owed to the State Controller is \$95,504. We ask that that amount be withheld from our next reimbursement.

Respectfully,



Dr. Carol A. Berg
Deputy Superintendent

**State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, California 94250-5874**

<http://www.sco.ca.gov>